

HB2177 – HEALTH INSURANCE PREMIUM TAX CREDIT

Arizona Department of Revenue Responsibilities

The health insurance premium tax credit, Chapter 378 House Bill 2177, Second Regular Session 2006, becomes effective on the general effective date, September 21, 2006. This document contains Arizona Department of Revenue (ADOR) procedures to be followed in implementing this legislation.

IMPLEMENTATION PROCEDURES

1. No applications for a Certificate of Eligibility can be submitted before September 21, 2006, the general effective date of the legislation.
2. The premium tax credit is not effective until January 1, 2007.
3. Health care insurance coverage can commence at any time after the applicant receives the Certificate of Eligibility issued by ADOR.
4. Health insurance must be applied for within 30 days after the date of issuance of the Certificate. If the 30th day falls on a weekend or holiday, ADOR shall consider the first business day after the weekend or holiday to be the 30th day. If insurance is not applied for within 30 days, the Certificate is no longer valid.
5. Health insurance must be obtained within 90 days after a Certificate is issued. If health insurance is not obtained within 90 days after the issue date of the Certificate, the Certificate is no longer valid.
6. Individuals and small businesses wishing to apply for a Certificate of Eligibility can obtain an application from ADOR. This application will be available on the website (WWW.AZDOR.GOV) or can be requested by calling Rosie at 602-716-6090.
7. Applications for individuals will require the following information:
 - a. Individual name
 - b. Address (street address, city, state, zip code)
 - c. Day-time phone number
 - d. Family size
 - e. Indicator as to which health insurance coverage the application is for
 - i. Individual only
 - ii. Individual's dependent child(ren) only
 1. Number of dependent children
 - iii. Individual plus family
 - f. Gross yearly income
 - g. Check box for the applicable legal status
 - i. Legal resident of Arizona and a citizen of the United States
 - ii. Legal resident alien
8. To be approved for a Certificate of Eligibility, the individual making application must (1) earn less than 250% of the federal poverty level, (2) be a legal Arizona resident and a U.S. citizen or a legal resident alien, (3) not have been covered by a health insurance policy for at least 6 consecutive months prior to applying for a Certificate, and (4) not be

enrolled in AHCCCS, Medicare or any other government health insurance program. The 2006 federal poverty guidelines are as follows:

Family size	Federal poverty guideline gross yearly income	Maximum income for eligibility for Certificate
1	\$9,800	\$24,499
2	\$13,200	\$32,999
3	\$16,600	\$41,499
4	\$20,000	\$49,999
5	\$23,400	\$58,499
6	\$26,800	\$66,999
7	\$30,200	\$75,499
8	\$33,600	\$83,999
Over 8, add per child	+\$3,400	+\$8,400

9. Applications for small businesses will require the following information:
 - a. Small business name
 - b. Business address (street address, city, state, zip code)
 - c. Owner name(s)
 - d. Day-time phone number
 - e. Length of time this business has been in existence
 - f. Maximum number of employees in the past calendar year
 - g. Indicator as to which health insurance coverage the application is for
 - i. Number of employees electing single coverage
 - ii. Number of employees electing family coverage
10. After receiving the application, ADOR must issue a Certificate to the qualifying business or individual unless the \$5 million maximum has been reached. The credit maximum is \$5 million per calendar year. The first calendar year for which this is effective is 2006.
11. The amount of the Certificate for an individual is the lesser of \$1000 for coverage on a single person, \$500 for coverage per dependent child, \$3000 for family coverage or 50% of the health insurance premium. The amount of the Certificate for the small business is the lesser of \$1000 for coverage on each single employee, \$3000 for each employee electing family coverage or 50% of the health insurance premium. ADOR will not know the amount of the health insurance premium at the time of issuing the Certificate. Therefore the value of the Certificate will be stated as the lesser of the value of the coverage selected on the application or "50% of the health insurance premium".
12. ADOR will reduce the \$5 million cap by the only amount that is known at the time of Certificate issuance, which is the value of the coverage selected on the application.
13. On the 15th day of the month following commencement of coverage, the insurer must notify ADOR of the enrollment and the amount of premium

tax credit they intend to claim for the current calendar year on a form provided by ADOR. The health insurance company will use the ADOR form "Notification of Health Insurance Coverage" or a facsimile thereof. The Notification of Health Insurance Coverage will provide details on each individual or small business covered by the health insurance company.

14. When ADOR receives the Notification of Health Insurance Coverage from the insurer, the amount applied against the cap will be adjusted. At this time, ADOR will send the health insurance company a Credit Certificate, stating the amount of credit to which the insurance company is entitled given the information provided to ADOR by the insurance company.
15. If no notification is received from the insurer by the 15th day of the month after commencement of coverage, ADOR will consider the Certificate invalid and no longer count the value of the Certificate against the cap. ADOR will allow 170 days from the date on the Certificate of Eligibility to declare that the Certificate is invalid if no notification from the health insurance carrier is received.
16. If notification is received from the insurer in a timely manner, ADOR will consider the Certificate effective for one year from commencement of coverage.
17. Sixty days before expiration of the Certificate, ADOR will contact the individual or small business to determine if they continue to meet the qualifications. If they still meet the qualifications, ADOR shall reissue the Certificate. The value of the reissued Certificate will be applied against the \$5 million cap in the next calendar year. Individuals and small businesses are eligible for a maximum of two reissued Certificates.
18. For purposes of the credit maximum, the total amount shown on Certificates that have been issued in a calendar year shall be subtracted from the \$5 million cap in the next calendar year to ensure that these Certificates can be reissued.
19. If the circumstances for the individual or small business applicant have changed, meaning that more family members or employees are to be insured in the new calendar year, ADOR will adjust the amount of the Certificate IF THERE IS SUFFICIENT MONEY AVAILABLE UNDER THE \$5 MILLION CAP TO ADJUST THE AMOUNT.
20. At the end of each calendar year, ADOR will notify the Arizona Department of Insurance of the amount of credit available to each health care insurer.

Questions? Contact Georganna Meyer at 602-716-6927.